



**Modimolle-Mookgophong Local Municipality
(Registration number LIM 368)
Annual Financial Statements
for the year ended 30 June 2019**

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

General Information

Legal form of entity

Local Municipality

Nature of business and principal activities

Modimolle-Mookgophong Local Municipality was established in terms of Section 12 of the Municipal Structures Act (112 of 1998). The merger took place on 11 August 2016.

The main business operations of the municipality is to engage in local government activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community:

General services - All types of services rendered by the municipality, excluding the supply of housing of the community.

Waste Management Services - The collection, disposal and recycling of waste.

Electricity Services - Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality.

Waste water management - Collection and purification of waste water.

Water Services - Supply and purification of water.

Executive Committee

Mayor

Executive Committee

Cllr M van Staden
Cllr Kola
Cllr RP Mashaba
Cllr NG Mashitisho
Cllr NE Monepya
Cllr DS Motswene
Cllr HP Louw
Cllr JJ Abrie
Cllr J Baloyi
Cllr CMJ Botha
Cllr S Groenwald
Cllr JM Lebesa
Cllr KN Mabunda
Cllr RJ Mahoro
Cllr B Mocke
Cllr DM Monama
Cllr LK Moruwe
Cllr MM Mothabela
Cllr D Phalane
Cllr MD Phele
Cllr MM Setlhabi
Cllr J Prinsloo
Cllr KE Lekalakala
Cllr MS Seodisa
Cllr MJ Kekana
Cllr M. Mbedzi

Speaker

Chief Whip

Councillors

Grading of local authority

Grade 3

Accounting Officer

LIM368

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

General Information

Acting Chief Finance Officer (CFO)	Mr. J.N. Molekoa
Accounting Officer	Dr S.M. Mhlanga
Registered office	Harry Gwala Street OR Tambo Square Modimolle South Africa 0510
Business address	Harry Gwala Street OR Tambo Square Modimolle South Africa 0510
Postal address	Private Bag X 1008 Modimolle 0510
Bankers	Standard Bank
Auditors	The Auditor General of South Africa

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

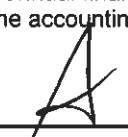
Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

	Page
Audit Committee Report	4 - 5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9 - 10
Statement of Comparison of Budget and Actual Amounts	11 - 14
Accounting Policies	15 - 42
Notes to the Annual Financial Statements	43 - 96

COIDA	Compensation for Occupational Injuries and Diseases Act
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
WSIG	Water Services Infrastructure Grant
HDF	Housing Development Fund
IAS	International Accounting Standards
CIGFARO	Chartered Institute of Government Finance Audit and Risk Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
INEP	Integrated National Electrification Programme
FMG	Financial Management Grant

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2019 and were signed on its behalf by:



Dr. S.M. Mhlanga
Accounting Officer

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2019.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet x times per annum as per its approved terms of reference. During the current year x number of meetings were held.

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from the MFMA and Treasury Regulation .

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review. It was however noted that..... (e.g. suspense accounts were not cleared on a monthly basis).

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Audit Committee Report

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee: Ms. Fikile Mudau

Date: _____

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018
Assets			
Current Assets			
Inventories	3	2 453 963	3 024 404
Investments	7	900 000	900 000
Receivables from exchange transactions	6	152 504 582	62 663 401
Receivables from non-exchange transactions	5	114 714 258	100 150 378
Other receivables from exchange transactions	4	7 257 155	7 987 129
VAT	52	84 280 673	34 214 256
Deposits	8	718 280	372 363
Cash and cash equivalents	9	167 554 552	88 695 647
		530 383 463	298 007 578
Non-Current Assets			
Investment property	10	17 206 951	17 206 951
Property, plant and equipment	11	1 232 630 989	1 351 995 269
Intangible assets	12	4 911 036	4 911 036
Heritage assets	13	161 314	161 314
Investments	7	133 353	131 484
		1 255 043 643	1 374 406 054
Total Assets		1 785 427 106	1 672 413 632
Liabilities			
Current Liabilities			
Other financial liabilities	14	-	1 262
Finance lease obligation	15	19 871	617 949
Payables from exchange transactions	16	590 703 877	427 589 314
Consumer deposits	17	19 698 250	7 331 770
Employee benefit obligation	18	2 019 605	1 759 875
Unspent conditional grants and receipts	20	89 053 564	83 779 599
Long service awards	19	4 034 254	4 218 256
Unallocated Transactions		147 924 318	87 141 048
Cash and cash equivalents	9	126 928 639	107 957 437
		980 382 378	720 396 510
Non-Current Liabilities			
Finance lease obligation	15	-	19 871
Employee benefit obligation	18	50 579 838	41 034 337
Provisions	21	77 909 259	63 270 749
Long Service awards	19	11 401 140	9 031 087
		139 890 237	113 356 044
Total Liabilities		1 120 272 615	833 752 554
Net Assets		665 154 491	838 661 078
Reserves			
Housing Development Fund	22	483 263	483 263
Accumulated surplus		883 944 541	838 177 820
Total Net Assets		884 427 804	838 661 083

* See Note 40

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018
Revenue			
Revenue from exchange transactions			
Service charges	23	247 828 320	217 724 241
Interest received - trading		35 875 560	34 932 178
Fair value adjustments		-	3 069
Sundry Income	24	3 469 969	5 296 981
Interest received - investment		2 376 592	695 190
Total revenue from exchange transactions		289 550 441	258 651 659
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	73 997 815	71 417 173
Licences and Permits (Non-exchange)		6 472 998	1 213 138
Transfer revenue			
Government grants & subsidies	26	233 500 957	168 096 057
Fines, Penalties and Forfeits		226 400	626 082
Total revenue from non-exchange transactions		314 198 170	241 352 450
Total revenue		603 748 611	500 004 109
Expenditure			
Employee related costs	27	(202 776 918)	(186 125 580)
Remuneration of councillors	28	(12 153 813)	(9 985 320)
Depreciation and amortisation	29	(64 554 083)	(70 452 828)
Reversal of impairments	30	(3 636 480)	(4 629 505)
Finance costs	31	(1 880 221)	(4 878 705)
Lease rentals on operating lease		(819 431)	-
Debt Impairment	32	(59 901 106)	(144 399 778)
Bulk purchases	33	(185 700 349)	(212 292 247)
Contracted services	34	(55 921 658)	(85 183 808)
Loss on disposal of assets and liabilities		(3 503 693)	(2 074 398)
Actuarial losses		(5 841 622)	-
Inventories losses/write-downs		-	(2 272 955)
General Expenses	35	(139 054 529)	(38 826 374)
Total expenditure		(735 743 903)	(761 121 498)
Deficit for the year		(131 995 292)	(261 117 389)

* See Note 40

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Statement of Changes in Net Assets

Figures in Rand	Housing Deveopment	Accumulated surplus	Total net assets
Balance at 01 July 2017	483 263	1 099 295 209	1 099 778 472
Changes in net assets			
Surplus for the year	-	(261 117 389)	(261 117 389)
Total changes	-	(261 117 389)	(261 117 389)
Balance at July 1, 2018	483 263	1 015 939 833	1 016 423 096
Changes in net assets			
Surplus for the year	-	(131 995 292)	(131 995 292)
Total changes	-	(131 995 292)	(131 995 292)
Balance at 30 June 2019	483 263	883 944 541	884 427 804
Note(s)	22		

* See Note 40

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018
Cash flows from operating activities			
Receipts			
Sale of goods and services		331 769 102	200 137 653
Grants		233 727 357	219 679 140
Interest income		2 376 592	695 190
Interest earned - Outstanding receivables		-	34 932 179
		567 873 051	455 444 162
Payments			
Employee costs		(214 930 731)	(193 364 438)
Finance costs		(1 880 221)	(4 702 486)
Other payments		(381 495 967)	(210 922 249)
Unreconciliable items		9 910 205	220 697 835
Unallocated transactions		62 520 930	-
		(525 875 784)	(188 291 338)
Net cash flows from operating activities	37	41 997 267	267 152 824
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(455 126 324)	(87 186 946)
Proceeds from sale of property, plant and equipment	11	10 628 186	56 150 339
Proceeds from sale of financial assets		(1 869)	(1 028 415)
Purchase of vat receivable		(50 066 417)	(34 214 256)
Purchase of other asset 2		(345 917)	(372 363)
Net cash flows from investing activities		(494 912 341)	(66 651 641)

* See Note 40

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018
Cash flows from financing activities			
Repayment of other financial liabilities		(1 262)	1 262
Movement in long service awards		2 186 051	13 249 343
Movement in other liability 3		149 661 978	87 141 048
Finance lease payments		(617 949)	461 601
Net cash flows from financing activities		151 228 818	100 853 254
Net increase/(decrease) in cash and cash equivalents		23 677 051	301 354 437
Cash and cash equivalents at the beginning of the year		5 987 110	-
Cash and cash equivalents at the end of the year	9	29 664 161	301 354 437

* See Note 40

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Final Budget	Actual amounts	Difference between final budget and actual	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	227 018 804	(247 828 320)	(20 809 516)	-	20 809 516	
Interest received(trading)	42 319 135	(35 875 560)	6 443 575	-	(6 443 575)	
Sundry income	3 788 498	(3 469 969)	318 529	-	(318 529)	
Interest received - investment	1 500 000	(2 376 592)	(876 592)	-	876 592	
Total revenue from exchange transactions	274 626 437	(289 550 441)	(14 924 004)	-	14 924 004	

Revenue from non-exchange transactions

Taxation revenue

Property rates	76 747 000	73 997 815	2 749 185	-	(2 749 185)	
Licences and Permits (Non-exchange)	1 400 000	(6 472 998)	(5 072 998)	-	5 072 998	

Transfer revenue

Government grants & subsidies	107 026 958	(233 500 957)	(126 473 999)	-	126 473 999	
Fines, Penalties and Forfeits	500 000	(226 400)	273 600	-	(273 600)	
Total revenue from non-exchange transactions	185 673 958	(166 202 540)	(128 524 212)	-	128 524 212	
Total revenue	460 300 395	(455 752 981)	(143 448 216)	-	143 448 216	

Expenditure

Personnel	197 790 064	(202 776 918)	(4 986 854)	-	4 986 854	
Remuneration of councillors	10 502 927	(12 153 813)	(1 650 886)	-	1 650 886	
Depreciation and amortisation	60 936 998	(64 554 083)	(3 617 085)	-	3 617 085	
Impairment loss/ Reversal of impairments	-	(3 636 480)	(3 636 480)	-	3 636 480	
Finance costs	5 726 546	(1 880 221)	3 846 325	-	(3 846 325)	
Lease rentals on operating lease	-	(819 431)	(819 431)	-	819 431	
Debt Impairment	39 044 799	(59 901 106)	(20 856 307)	-	20 856 307	
Bulk purchases	196 034 301	(185 700 349)	10 333 952	-	(10 333 952)	
Contracted Services	87 626 009	(55 921 658)	31 704 351	-	(31 704 351)	
General Expenses	33 213 355	(139 054 529)	(105 841 174)	-	105 841 174	
Total expenditure	630 874 999	(726 398 588)	(95 523 589)	-	95 523 589	
Operating surplus	1 091 175 394	(1 182 151 569)	(90 976 175)	-	90 976 175	
Gain on disposal of assets and liabilities	-	(3 503 693)	(3 503 693)	-	3 503 693	
Actuarial gains/losses	-	(5 841 622)	(5 841 622)	-	5 841 622	
	-	(9 345 315)	(9 345 315)	-	9 345 315	
Surplus before taxation	1 091 175 394	(1 191 496 884)	(100 321 490)	-	100 321 490	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	1 091 175 394	(1 191 496 884)	(100 321 490)	-	100 321 490	

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Final Budget	Actual amounts	Difference between final budget and actual	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Final Budget	Actual amounts	Difference between final budget and actual	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						

Statement of Financial Position

Assets

Current Assets

Inventories	-	2 453 963	2 453 963	-	(2 453 963)
Investments	-	900 000	900 000	-	(900 000)
Receivables from non-exchange transactions	12 292 055	(13 297 760)	(1 005 705)	114 714 258	115 719 963
Consumer debtors	(2 685 556)	2 685 556	-	7 257 155	7 257 155
VAT	-	-	-	84 280 673	84 280 673
Deposits	-	-	-	718 280	718 280
Cash and cash equivalents	-	-	-	40 625 913	40 625 913
	9 606 499	(7 258 241)	2 348 258	247 596 279	245 248 021

Non-Current Assets

Investment property	-	-	-	17 206 951	17 206 951
Property, plant and equipment	69 964 167	(120 059 749)	(50 095 582)	1 232 630 989	1 282 726 571
Intangible assets	-	-	-	4 911 035	4 911 035
Heritage assets	-	-	-	161 314	161 314
Investments	-	-	-	133 353	133 353
	69 964 167	(120 059 749)	(50 095 582)	1 255 043 642	1 305 139 224

Total Assets	79 570 666	(127 317 990)	(47 747 324)	1 502 639 921	1 550 387 245
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Liabilities

Current Liabilities

Finance lease obligation	-	-	-	19 871	19 871
Payables from exchange transactions	-	-	-	590 703 877	590 703 877
Consumer deposits	-	-	-	19 698 250	19 698 250
Employee benefit obligation	-	-	-	2 019 605	2 019 605
Unspent conditional grants and receipts	-	-	-	89 053 564	89 053 564
Long service awards	-	-	-	4 034 254	4 034 254
Unallocated Transactions	148 983 184	(161 115 446)	(12 132 262)	147 924 318	160 056 580
	148 983 184	(161 115 446)	(12 132 262)	853 453 739	865 586 001

Non-Current Liabilities

Employee benefit obligation	-	-	-	50 579 838	50 579 838
Provisions	-	-	-	77 909 259	77 909 259
Long Service awards	-	-	-	11 401 140	11 401 140
	-	-	-	139 890 237	139 890 237

Total Liabilities	148 983 184	(161 115 446)	(12 132 262)	993 343 976	1 005 476 238
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Net Assets	(69 412 518)	33 797 456	(35 615 062)	509 295 945	544 911 007
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Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Final Budget	Actual amounts	Difference between final budget and actual	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
CID reserve	-	-	-	483 263	483 263	
Accumulated surplus	(98 835 204)	58 301 987	(40 533 217)	664 671 188	705 204 405	
Total Net Assets	(98 835 204)	58 301 987	(40 533 217)	665 154 451	705 687 668	

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The write down is included in the surplus or deficit.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the condition of the asset assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of intangible assets.

Value in use of cash generating assets:

The municipality reviews and tests the carrying value of cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as exchange rates, inflation and interest rates.

Value in use of non-cash generating assets:

The municipality reviews and tests the carrying value of non-cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Provisions

Provisions were raised and management determined an estimate based on the information available.

Additional disclosure of these estimates of provisions are included in note 23 - Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate is based on industry norms and on the pattern in which an asset's future economic benefit or service potential is expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease depreciation charge where useful lives are more than previously estimated useful lives.

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post retirement and long-term benefit obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension or other long-term liability. Where there is no market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions.

Additional information is disclosed in Note 18.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for impairment of financial assets

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	5 - 80 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note).

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	5 - 80 years
Other property, plant and equipment	Straight line	2 - 15 years
Furniture and fixtures	Straight line	7 - 10 years
Motor vehicles	Straight line	5 - 20 years
Office equipment	Straight line	3 - 10 years
Housing	Straight line	8 - 80 years
Community Facility	Straight line	7 - 100 years
Sport and Recreational	Straight line	7 - 100 years
Bins and Contain	Straight line	3 - 10 years
Emergency Equipment	Straight line	4 - 100 years

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.3 Property, plant and equipment (continued)

Electricity Network	Straight line	4 - 100 years
Road and Storm Water Network	Straight line	4 - 100 years
Wastewater Network	Straight line	4 - 100 years

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

Assets of municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.4 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.5 Intangible assets (continued)

Intangible assets are initially measure at cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets to their residual values. The amortisation charge for each period is recognised in surplus or deficit.

Item	Depreciation method	Average useful life
Electrical Servitudes	Straight line	Indefinite
Sanitation Servitudes	Straight line	Indefinite
Storm Water Servitudes	Straight line	Indefinite
Computer Software	Straight line	3 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.6 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The municipality recognises heritage assets as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value can be measured reliably.

When the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information of such heritage asset is disclosed in note 15 - Heritage assets.

Heritage assets are initially measured at cost.

When a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent to initial measurement classes of heritage assets are carried at cost less any accumulated impairment losses.

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

The municipality derecognises heritage assets on disposal, or when no future economic benefits or service potential are expected from its used or disposal.).

The gain or loss arising from the derecognition of a heritage asset is the difference between the net disposal proceeds and the carrying amount and is included in surplus or deficit when the item is derecognised.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 15).

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.6 Heritage assets (continued)

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 15).

1.7 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

- Cash-generating assets are assets managed with the objective of generating a commercial return
- Non-cash-generating assets are assets other than cash-generating assets..

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.7 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.7 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.8 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:

- Cash-generating assets are assets managed with the objective of generating a commercial return.
- Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.8 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Investments	Financial asset measured at amortised cost
Other receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other Receivables	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Employee benefit Obligation	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at fair value
Bank overdraft	Financial liability measured at fair value

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted when the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.9 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.10 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.10 Employee benefits (continued)

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.10 Employee benefits (continued)

Multi-employer plans and/or State plans and/or Composite social security programmes

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.10 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.10 Employee benefits (continued)

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.10 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

These post-retirement health care benefits are actuarially valued at least annually on the Projected Unit Credit Method basis.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.10 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.13 Value-added Tax

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payment basis, in accordance with Section 15(2) of the VAT Act No.89 of 1991.

1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.14 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.7 and 1.8.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.15 Accumulated Surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality.

Any surpluses and deficits realised during a specific financial year are credited / debited against accumulated surplus / deficit. Prior year adjustments, relating to income and expenditure, are credited / debited against accumulated surplus when retrospective adjustments are made.

1.16 Revenue from exchange transactions

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.16 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.17 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

Concessionary loans received

A concessionary loan is a loan granted to or received by a property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.19 Leases (continued)

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Any contingent rents are expensed in the period in which they are incurred.

1.20 Grant in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time.

When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase of sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events given rise to the transfer occurred.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note

1.22 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.23 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.25 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2017/07/01 to 2019/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.27 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.27 Related parties (continued)

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.28 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.29 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.30 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12)
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

GRAP 16 (as amended 2016): Investment Property

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IASB amendments: To clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; To align terminology in GRAP 17 with that in IPSAS 17. The term "specialist military equipment" in IPSAS 17 was replaced with the term "weapon systems" and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

GRAP 26 (as amended 2016): Impairment of cash-generating assets

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods:

GRAP 1 (amended): Presentation of Financial Statements

Amendments to the Standard of GRAP on the Presentation of Financial Statements has been made of which the most significant changes are listed below.

- Paragraphs .11, .38, .79, .80, .96, .98, .123, .124, .127, .129, and .132 were amended;

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- Paragraphs .37A, .80A, .98A, and .98B were added; and
- Paragraphs .125 and .130 were deleted by the Amendments to the Standard of GRAP on Presentation of Financial Statements (2018) issued in April 2019.

An entity shall apply these Amendments in accordance with GRAP 3. Entities are not required to disclose the information required by paragraphs .30 and .32 of GRAP 3 in relation to these amendments.

The effective date of this amendment is for years beginning on or after 01 April 2020.

The municipality expect to adopt the amendment for the first time in the 2020/2021 annual financial statements.

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 110 (as amended 2016): Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The subsequent amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme

The objective of this guideline: Entities in the public sector are frequently involved in the construction of houses as part of government's housing policy, implemented through the national housing programme, which is aimed at developing sustainable human settlements. The Housing Act, Act No. 107 of 1997 provides information about the housing programmes that fall within the scope of the national housing programme. Concerns were raised by preparers about the inconsistent accounting applied to housing arrangements undertaken by entities under the national housing programme. Different accounting may be appropriate where there are differences between the terms and conditions of arrangements concluded by entities. However, under housing arrangements that are undertaken in terms of the national housing programme, there are common features and issues that need to be considered. As a result, the Board agreed to develop high-level guidance for arrangements undertaken in terms of the national housing programme.

It covers: Background to arrangements undertaken in terms of the national housing programme, Transactions that affect the accounting of housing arrangements, Consider whether the municipality undertakes transactions with third parties on behalf of another party, Accounting by municipalities appointed as project manager, Disclosure requirements, Accounting by municipalities appointed as project developer, Accounting for the accreditation fee, commission, administration or transaction fee received, Land and infrastructure, Conclusion and Application of this Guideline to existing arrangements.

The effective date of the guideline is for years beginning on or after 01 April 2019.

The municipality expects to adopt the guideline for the first time in the 2019/2020 annual financial statements.

It is unlikely that the guideline will have a material impact on the municipality's annual financial statements.

GRAP 18 (as amended 2016): Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The subsequent amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2019

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2019.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date for the interpretation.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019/2020 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

IGRAP 19: Liabilities to Pay Levies

This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

To clarify the accounting for a liability to pay a levy, this Interpretation of the Standards of GRAP addresses the following issues:

- What is the obligating event that gives rise to the recognition of a liability to pay a levy?
- Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?
- Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?
- What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:

- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;
- The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
- The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
- If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation of the Standards of GRAP; and
- An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date for the interpretation.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

3. Inventories

Inventory - Land	204 200	-
Consumable stores	2 022 797	2 718 189
Water	226 966	306 215
	2 453 963	3 024 404

Inventories losses/write-downs	(1 345 428)	2 272 955
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There are two stores within the municipality, one in Modimolle and the other in Mookgophong. The stores consist mainly of maintenance items for Water, Sanitation and Electricity Departments as well as stationery and protective clothing for the municipality.

The municipality has land for the use of RDP house to be transferred to beneficiaries.

Inventory pledged as security

During the year no inventory was pledged as security

4. Other receivables from exchange transactions

Gross balances		
Other receivables	7 257 155	7 987 129
Net balance		
Other receivables	7 257 155	7 987 129
Other receivables		
Current (0 -30 days)	7 257 155	7 987 129

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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4. Other receivables from exchange transactions (continued)

Summary of debtors by customer classification

Total		
Current (0 -30 days)	7 257 155	7 987 129

Consumer debtors pledged as security

During the year no receivables were pledged for security.

5. Receivables from non-exchange transactions

Fines	2 919 618	1 459 809
Consumer debtors - Rates	114 714 258	100 150 378
Less: Impairment	(2 919 618)	(1 459 809)
	114 714 258	100 150 378

Receivables from non-exchange transactions pledged as security

During the year no receivables were pledged as security.

Rates

Rates	2019	2018	Re-stated 2018
Current (0-30 days)	7 499 321	6 172 974	5 158 697
31 - 60 days	2 428 243	3 807 551	2 766 482
61 - 90 days	2 210 781	3 533 551	2 520 810
91 - 120 days	2 070 221	3 408 533	2 477 802
>120 days	82 077 437	83 227 961	76 791 696
	96 286 003	100 150 570	89 715 487

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates: Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired.

At 30 June 2019, R96,285,002 (2018: R 89 715 487) were past due but not impaired.

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

5. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2019, R - (2018: R 100 150 378) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

	2019	2018	Restated 2018
2 months past due	46 581 173	16 609 423	37 287 759
3 months past due	274 512 715	218 618 456	160 092 737
	321 093 888	235 227 879	197 380 496

In terms of provision for doubtful debts and write off policy for the municipality impaires in terms of the following:

Debt in access of 60 to 90 days	-	50
Debt excess of 90 days	-	100
Debt in access of 121 days to 180 days	5	-
Debt in access of 181 days and above	10	-

Receivables from non-exchange transactions impaired

As of 30 June 2019, other receivables from non-exchange transactions of R - (2018: R 1 459 809) were impaired and provided for.

The amount of the provision was R (120 785 677) as of 30 June 2019 (2018: R 1 459 809).

The ageing of these loans is as follows:

Over 6 months	1 459 809
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Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	1 459 809	1 459 809
Provision for impairment	-	-
	1 459 809	1 459 809

6. Receivables from exchange transactions

Gross balances

Consumer debtors - Electricity	64 654 746	49 409 969
Consumer debtors - Water	133 751 864	95 659 135
Consumer debtors - Refuse	40 050 108	31 595 780
Consumer debtors - Sewerage	37 152 193	37 757 580
Consumer debtors - Interest on Consumer Debtors	(2 318 652)	75 160 105
	273 290 259	289 582 569

Less: Allowance for impairment

Consumer debtors - Electricity	(28 085 251)	(38 485 442)
Consumer debtors - Water	(66 302 194)	(85 853 181)
Consumer debtors - Waste water	(26 393 187)	(28 484 699)
Consumer debtors - Interest Consumer Debtors	(5 045)	(74 095 846)
	(120 785 677)	(226 919 168)

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
6. Receivables from exchange transactions (continued)		
Net balance		
Consumer debtors - Electricity	36 569 495	10 924 527
Consumer debtors - Water	67 449 670	9 805 954
Consumer debtors - Refuse	37 152 193	37 757 580
Interest Consumer Debtors	(2 323 697)	1 064 259
Consumer debtors - Waste water	13 656 921	3 111 081
	152 504 582	62 663 401
Electricity		
Current (0 -30 days)		8 489 165
31 - 60 days		2 739 113
61 - 90 days		2 131 611
91 - 120 days		2 323 727
> 121 days		33 726 354
Less: Impairment		(38 485 443)
		10 924 527
Electricity	2019	Restated 2018
Current (0 -30 days)	8 198 273	5 604 656
31 - 60 days	1 995 108	1 529 651
61 - 90 days	1 554 523	1 230 869
91 - 120 days	1 663 813	1 288 662
> 121 days	38 350 534	22 799 853
Less: Impairment	(2 615 096)	(25 468 776)
	49 147 155	6 984 915
Water		
Current (0 -30 days)		5 696 559
31 - 60 days		4 045 891
61 - 90 days		4 173 086
91 - 120 days		5 252 090
> 121 days		76 491 604
Less: Impairment		(85 853 276)
		9 805 954
Water	2019	Restated 2018
Current (0 -30 days)	7 309 129	4 112 702
31 - 60 days	2 771 413	2 733 211
61 - 90 days	2 379 898	2 902 762
91 - 120 days	4 666 426	3 868 454
> 121 days	62 765 974	67 301 600
Less: Impairment	(6 130 994)	(60 171 201)
	73 761 846	20 747 528

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
6. Receivables from exchange transactions (continued)		
Refuse		
Current (0 -30 days)		1 817 532
31 - 60 days		1 308 295
61 - 90 days		1 270 800
91 - 120 days		1 205 140
121 - 365 days		25 994 013
> 365 days		(28 484 699)
		3 111 081
Refuse	2019	Restated 2018
Current (0 -30 days)	2 335 579	1 306 751
31 - 60 days	910 580	873 267
61 - 90 days	885 561	852 712
91 - 120 days	866 585	807 735
121 - 365 days	25 674 975	22 610 493
Less: Impairment	(2 446 578)	(23 946 609)
	28 226 702	2 504 349
Sewerage		
Current (0 -30 days)		1 660 235
31 - 60 days		1 309 764
61 - 90 days		1 261 793
91 - 120 days		1 218 668
121 - 365 days		32 307 120
		37 757 580
Sewerage	2019	Restated 2018
Current (0 -30 days)	2 221 027	1 306 751
31 - 60 days	858 477	873 267
61 - 90 days	838 459	852 712
91 - 120 days	827 156	807 735
121 - 365 days	29 581 344	22 610 493
Less: Impairment	(2 834 525)	(23 946 609)
	31 491 938	2 504 349
Interest on Consumer Debtors		
Current (0 -30 days)		443 292
31 - 60 days		373 385
61 - 90 days		567 238
91 - 120 days		344 423
121 - 365 days		73 431 766
> 365 days		(74 095 845)
		1 064 259
Interest on Consumer Debtors	2019	Restated 2018
Current (0 -30 days)	7 357 065	3 623 947
31 - 60 days	3 408 479	3 419 642
61 - 90 days	3 557 603	3 321 615
91 - 120 days	3 419 039	3 202 067
121 - 365 days	105 232 301	84 766 517
Less: Impairment	(8 973 304)	(81 510 639)
	114 001 183	16 823 149

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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6. Receivables from exchange transactions (continued)

Collection rate of consumer receivables

Receivables from exchange transactions pledged as security

During the year no receivables were pledged as security.

Receivables from exchange transactions impaired.

As of 30 June 2018, consumer debtors of R 235 227 879 (2017: R 148 071 287) were impaired and provided for.

The amount of the provision was R 226 923 168 as of 30 June 2018 (2017: R 83 726 819).

The ageing of these receivables is as follows:

3 to 6 months	16 609 423
Over 6 months	218 618 456
	235 227 879

7. Investments

Designated at fair value

NTK Shares	133 353	131 484
Fixed Deposit	900 000	900 000
	1 033 353	1 031 484

Non-current assets

NTK Shares	133 353	131 484
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Current assets

Fixed deposit	900 000	900 000
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Sub-heading

Fixed deposit amounting to R900 000 has been pledged to Magalies Water for a deposit. The Investment is renewable annually. Fixed deposit is held with First National Bank, account number 710 5722 0470.

The shares held in NTK are for the purposes of holding an account with the entity. NTK shares earn dividends that are payable to the Municipality every 15 years. The shares are unsecured.

NTK shares - 30 June 2019	Class 1 Normal shares	Class 2 Preferential shares	Class 3 Preferential shares	Security investments	Total
Opening balance	5 000	32 384	77 919	16 181	131 484
Fair value adjustments	-	66	-	1 803	1 869
	5 000	32 450	77 919	17 984	133 353

NTK shares - 30 June 2018	Class 1 Normal shares	Class 2 Preferential shares	Class 3 Preferential shares	Security investments	Total
Opening balance	5 000	32 261	77 919	13 235	128 415
Fair value adjustments	-	57	-	3 012	3 069
	5 000	32 318	77 919	16 247	131 484

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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8. Deposits

Eskom deposit	718 280	372 363
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The deposit is held by Eskom for bulk services rendered to the municipality.

The above deposit is unsecured.

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	-	8 710
Short-term deposits	40 625 913	(19 270 500)
	40 625 913	(19 261 790)
Cash Receipts	167 554 552	88 695 647
Cash Withdrawals	(126 928 639)	(107 957 437)
	40 625 913	(19 261 790)

The balance per cash book is R40 625 913 and the bank balance per the bank statements is R29 664 161. The difference of R10 961 752 is unreconcilable.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
Standard Bank Limited - Primary account - Current account - 330506137	2 853 937	5 172 531	-	-	(87 141 049)	-
Fixed Deposit - ABSA 4059636391	53 254	50 779	-	53 254	50 779	-
Call Account - ABSA 9255026252	61 481	57 686	-	61 481	57 686	-
Call Account - ABSA 9286511602	23 326	22 514	-	23 326	22 514	-
32 Days - Standard 038835851007	17 604 645	-	-	17 604 645	-	-
Call Account FNB 62035962720	630 740	573 643	-	630 740	573 643	-
Call Account - FNB 62104425295	31 922	31 247	-	31 923	31 247	-
Call Account FNB 62748157056	2 403 011	49 527	-	2 403 011	49 527	-
Call Account - Nedbank 7881103124/13	6 001 845	29 183	-	6 001 845	29 183	-
Total	29 664 161	5 987 110	-	26 810 225	(86 326 470)	-

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)
Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

10. Investment property

	2019		2018	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment
Investment property	17 206 951	-	17 206 951	-
				17 206 951

Reconciliation of investment property - 2019

	Opening balance	Total
Investment property	17 206 951	17 206 951

Reconciliation of investment property - 2018

	Opening balance	Total
Investment property	17 206 951	17 206 951

Pledged as security

None of the above investment properties have been pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Land	476 096 213	-	476 096 213	467 266 717	-	467 266 717
Infrastructure	930 308 898	(322 344 384)	607 964 514	975 455 197	(318 422 757)	657 032 440
Community	94 712 047	(48 935 832)	45 776 215	95 018 833	(45 710 338)	49 308 495
Other property, plant and equipment	57 060 240	(173 945 637)	(116 885 397)	67 094 547	(45 137 342)	21 957 205
Libraries	1 345 317	(1 239 460)	105 857	1 345 317	(1 190 787)	154 530
Finance lease assets	318 626	(1 138 347)	(819 721)	9 704 644	(8 106 374)	1 598 270
Solid waste disposal	77 909 259	-	77 909 259	64 849 204	-	64 849 204
Work-in-progress	121 771 082	-	121 771 082	85 510 208	-	85 510 208
Furniture and fixtures	4 188 761	4 708	4 193 469	4 350 067	-	4 350 067
Motor vehicles	16 004 706	(1 619 105)	14 385 601	(14 580)	-	(14 580)
IT equipment	1 796 316	337 581	2 133 897	(17 287)	-	(17 287)
Total	1 781 511 465	(548 880 476)	1 232 630 989	1 770 562 867	(418 567 598)	1 351 995 269

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Correction of Error	Disposals / Write-off	Transfers	Depreciation	Impairment loss	Total
Land	467 266 717	-	8 937 837	(66 041)	(42 300)	-	-	476 096 213
Infrastructure	689 007 612	14 752 606	-	(1 804 554)	-	(54 346 784)	(5 087 219)	642 521 662
Other property, plant and equipment	26 275 403	691 492	(929 165)	(231 757)	-	(2 537 234)	683 455	23 952 174
Community	49 308 495	-	-	(11 624)	-	(4 131 175)	(979 435)	44 186 261
Work-in-progress	85 510 208	48 044 489	-	(11 783 615)	-	-	-	121 771 082
Solid waste disposal	32 874 033	14 638 510	(70 748)	(14 237)	-	(2 831 289)	19 241	44 615 510
Finance lease assets	1 598 268	-	221 037	(220 051)	-	(658 953)	-	940 301
Libraries	154 530	-	-	-	-	(48 673)	-	105 857
	1 351 995 266	78 127 097	8 158 941	(14 131 879)	(42 300)	(64 554 108)	(5 363 958)	1 354 189 060

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)
Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Correction of error	Disposals / Written-off	mSCOA reclassification	Transfers	Depreciation	Impairment loss	Total
Land	501 014 083	-	-	-	(33 747 366)	-	-	-	467 266 717
Infrastructure	711 423 913	37 757 453	-	(1 652 390)	969 453	(1 338 890)	(57 290 359)	(861 568)	689 007 612
Other property, plant and equipment	29 152 830	-	-	(5 411)	(4 330 382)	6 436 688	(2 852 528)	(2 125 792)	26 275 403
Community	58 323 099	-	-	-	2 670 666	(5 129 499)	(4 994 822)	(1 560 949)	49 308 495
Work-in-progress	93 204 627	48 872 517	-	(56 566 936)	-	-	-	-	85 510 208
Solid waste disposal	552 269	1 430 858	(873 882)	-	34 192 502	31 701	(2 439 036)	(20 379)	3 287 033
Finance lease assets	3 705 572	-	-	-	-	-	(2 107 302)	-	1 598 270
Libraries	-	-	-	-	238 557	-	(84 027)	-	154 530
	1 397 376 393	88 060 828	(873 882)	(58 224 737)	(6 570)	-	(69 768 074)	(4 568 688)	1 322 408 268

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included in Solid Waste	Included with Community	Total
Opening balance	77 676 669	2 103 858	5 729 682	85 510 209
Additions/capital expenditure	41 319 087	6 725 401	-	48 044 488
Transferred to completed items	(11 783 615)	-	-	(11 783 615)
	107 212 141	8 829 259	5 729 682	121 771 082

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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11. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included in Solid Waste	Included with Community	Total
Opening balance	87 834 225	4 185 595	1 184 806	93 204 626
Additions/capital expenditure	46 409 379	919 052	1 544 086	48 872 517
Transferred to completed items	(56 566 935)	-	-	(56 566 935)
	77 676 669	5 104 647	2 728 892	85 510 208

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Contracted services	-	24 230 265
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

12. Intangible assets

	2019		2018	
	Cost / Valuation	Accumulated Carrying value amortisation and impairment	Cost / Valuation	Accumulated Carrying value amortisation and impairment
Computer Software	2 268 922	-	2 268 922	-
Servitudes	2 642 114	-	2 642 114	-
Total	4 911 036	-	4 911 036	-

Reconciliation of intangible assets - 2019

	Opening balance	Total
Computer Software, Other	2 268 922	2 268 922
Servitudes	2 642 114	2 642 114
	4 911 036	4 911 036

Reconciliation of intangible assets - 2018

	Opening balance	Total
Intangible assets 1	2 268 922	2 268 922
Other intangible assets	2 642 114	2 642 114
	4 911 036	4 911 036

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

13. Heritage assets

	2019		2018	
	Cost / Valuation	Accumulated impairment losses	Cost / Valuation	Accumulated impairment losses
Art Collections, antiquities and exhibits	222 135	(60 821)	161 314	-
Other (specify class)	-	-	-	(60 821)
Total	222 135	(60 821)	161 314	(60 821)
			222 135	161 314

Reconciliation of heritage assets 2019

	Opening balance	Total
Other (specify class)	161 313	161 313

Reconciliation of heritage assets 2018

	Opening balance	Impairment losses recognised	Total
Other (specify class)	222 134	(60 821)	161 313

Pledged as security

None of the above heritage assets have been pledged as security:

Expenditure incurred to repair and maintain heritage assets

No expenditure has been incurred to repair and maintain heritage assets.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
14. Other financial liabilities		
At amortised cost		
Development Bank of Southern Africa	-	1 262
Account number 10467. Redemption date: 30 September 2017. Interest rate 12%.		
Payment terms: 6 monthly. The prior year remaining balance was due to accrued interest.		
Current liabilities		
At amortised cost	-	1 262
15. Finance lease obligation		
Minimum lease payments due		
- within one year	-	647 607
- in second to fifth year inclusive	-	19 872
	-	667 479
less: future finance charges	-	(29 657)
Present value of minimum lease payments	-	637 822
Present value of minimum lease payments due		
- within one year	19 871	617 949
- in second to fifth year inclusive	-	19 872
	19 871	637 821
Non-current liabilities	-	19 871
Current liabilities	19 871	617 949
	19 871	637 820

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 9% (2018: 9%).

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note .

16. Payables from exchange transactions

Trade payables	500 518 242	327 240 864
Payments received in advance	98 283 781	6 740 389
Retentions	13 544 201	11 079 896
Other payables	23 958 246	51 951 811
Accrued leave pay	28 632 372	26 040 094
Accrued 13th Cheque	17 603 517	4 536 260
Deposits received	(63 205 459)	-
Other Creditors #9	(30 635 536)	-
Trade debtors with credit balances	2 004 513	-
	590 703 877	427 589 314

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
17. Consumer deposits		
Rates	2 929 963	-
Electricity	(2 074 985)	7 331 770
Water	111 744	-
Refuse	80 422	-
Regional services levies	213 974	-
Housing rental	18 437 132	-
	19 698 250	7 331 770

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

18. Employee benefit obligations

Defined benefit plan

Post-employment health care plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

Eligible employees will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement. This includes all employees employed by the former Modimolle Local Municipality and in-service members employed on or before 1 December 2005 by the former Mookgophong Local Municipality.

All continuation members and their eligible dependants receive a subsidy of 60%, 62.5% or 70%.

Upon a member's death-in-service or death-in-retirement the surviving dependants will continue to receive the same subsidy.

All subsidies are subject to a maximum of R 4,218.17 per member per month, for the year ending 30 June 2019. The maximum subsidy amount has been assumed to increase in future at 75% of salary inflation.

The post-employment health care benefit is a defined benefit plan, which is made up as follows:

Eligible in-service members

Number of principal members	288	186
Number non-members	264	174
Average age of member	44	45
Average past service	11	12
Average number of dependants for In-Service Members	2	2

Continuing Members

Number of principal members	44	42
Average age of members	73	72
Average number of dependants	1	1
Average employee contribution	3 698	3 368
	4 425	3 902

The liability in respect of past service has been estimated to be as follows:

In-Service members	23 991 141	20 085 099
In-Services non-members	6 098 090	3 989 349
Continuation members	22 510 212	18 719 764
	52 599 443	42 794 212

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(52 599 443)	(42 794 212)
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Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

18. Employee benefit obligations (continued)

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(52 599 443)	(42 794 212)
Non-current liabilities	(50 579 838)	(41 034 337)
Current liabilities	(2 019 605)	(1 759 875)
	(52 599 443)	(42 794 212)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	42 785 212	38 933 530
Past Service Cost Recognised	9 668 046	-
Expected employer benefit payments	(1 759 875)	(1 595 831)
Net expense recognised in the statement of financial performance	1 897 060	5 447 513
	52 590 443	42 785 212

Net expense recognised in the statement of financial performance

Current service cost	1 722 950	1 851 228
Interest cost	4 000 534	3 665 934
Actuarial (gains) losses	(3 826 424)	(69 649)
	1 897 060	5 447 513

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.38 %	9.54 %
Health care cost inflation rate	6.85 %	7.37 %
Expected increase in salaries	2.37 %	6.87 %
Maximum subsidy inflation rate	4.76 %	5.15 %

The basis used to determine the overall expected rate of return on assets is as follow: [provide details]

A discount rate of 9.54% per annum has been used. The corresponding index-linked yield at this term is 2.99%. The rate is calculated by using a weighted average of yields for the three components of the liability.

The employee benefit obligation was independently performed by ARCH Actuarial Consulting. The report was prepared by Chanan Weiss BSc FFA. Chanan is a Fellow of the Actuarial Society of South Africa.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

18. Employee benefit obligations (continued)

Other assumptions

It was assumed that the Municipality's health care arrangements and subsidy policy would remain as outlined in the actuarial report. Furthermore, it was assumed that the level of benefits receivable, and the contributions payable in respect of such, would remain unchanged, with the exception of allowing for inflationary adjustments. Implicit in this approach is the assumption that current levels of cross-subsidy from in-service members to continuation members within the medical scheme are sustainable, and will continue

	One percentage point increase
Health care inflation - Effect on the aggregate of the service cost and interest cost	5 986 300
Discount rate - Effect on the aggregate of the service cost and interest cost	5 039 000
Health care inflation - Effect on the accrued liability	46 046 000
Discount rate - Effect on the accrued liability	37 509 000

Amounts for the current and previous four years are as follows:

	2019 R	2018 R	
Post-employment medical aid benefit	5 299 443	42 794 212	-

19. Long Service awards

Long service benefits are awarded in the form of a number of leave days once an employee has completed a certain number of years in service. The valuation was performed in line with GRAP 25 Employee benefits by Independent Actuaries and Consultants as at 30 June 2019

Changes in the present value of the long service liability is:

Opening balance	10 160 946	9 910 520
Net expense recognised in the statement of financial performance	2 186 051	250 426
	12 346 997	10 160 946

Current liability	945 857	4 218 256
Non-current liability	11 401 140	9 031 087
	12 346 997	13 249 343

Net expense recognised in the financial statement performance

Current service cost	973 849	1 042 391
Interest cost	821 450	778 103
Benefits vested	(1 175 699)	(1 469 734)
Actuarial (gain)/loss	785 455	(100 334)
Past Service Cost	780 996	-
	2 186 051	250 426

Amounts for the current and previous year are as follows:

Amounts for the current and previous year are as follows

Long service award	12 346 997	10 160 946
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Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
19. Long Service awards (continued)		
Assumptions used at reporting date:		
Discount rates used %	8	8
Normal salary increase rate %	6	6
Net discount rate %	2	2
Average Retirement Age	62	63
	-	-
20. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal Infrastructure Grant	7 637 501	18 319 578
Municipal Demarcation Grant	1 938 847	1 938 847
Integrated National Electrification Programme Grant	15 640 421	2 598 073
Water Services Infrastructure Grant	59 465 621	57 823 428
Housing Grant	2 901 261	2 901 261
National Lottery Grant	137 300	137 300
Waterberg District Municipality	61 112	61 112
Municipal System Improvement Grant	1 024 338	-
Extended Public Works Programme Grant	247 163	-
	89 053 564	83 779 599
Movement during the year		
Balance at the beginning of the year	83 779 599	18 790 274
Additions during the year	69 017 000	126 294 539
Income recognition during the year	(74 082 829)	(61 305 214)
	78 713 770	83 779 599

These amounts are invested until utilised in term of section 12 of the MFMA.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

21. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Total
Environmental rehabilitation	63 270 749	14 638 510	77 909 259

Reconciliation of provisions - 2018

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation	62 713 772	1 430 858	(873 881)	63 270 749

The warranty provision represents management's best estimate of the municipality's liability under one period warranties granted on (electrical) (products), based on (prior experience) (and) (industry averages for defective products).

There is no expected reimbursement (from the manufacturer) in respect of this provision.

Environmental rehabilitation provision

The provision for the rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal.

The valuation for the landfill site was performed by Mr Lance Hill Pr Tech Eng from Hill & Associates Civil and Environmental Engineers.

As the landfill sites have not been rehabilitated at all, the provision required for these sites will be the full closure cost for the sites as at 30 June 2018 in terms of the licence condition of the sites at the time of closure.

The sites under consideration are:

- Modimolle landfill site
- Vaalwater landfill site; and
- Mookgophong landfill site

The cost estimate is based on 25% Preliminary and General (P&G) and a 10% contingency of the construction amount for unforeseen items.

Additional to the above costs is the consulting fees for the closure approval process of the site at an estimated Engineering Council of South Africa (ECSA) fee scale of 5% of the construction amount.

The rates used to determine the construction amount are based on the current or recent construction contracts undertaken in similar circumstances.

22. Housing development fund

Application has been made to the Provincial Treasury to write back this reserve to accumulated surplus

Opening balance	483 263	483 263
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23. Service charges

Refuse removal	18 231 975	17 496 651
Sale of electricity	151 758 747	126 338 189
Sale of water	62 163 991	59 055 677
Sewerage and sanitation charges	15 673 607	14 833 724
	247 828 320	217 724 241

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
24. Sundry income		
Advertising boards	12 303	41 060
Building fees	143 181	647 300
Cemetery fees	344 599	300 746
Clearance and valuation certificate	446 255	331 129
Library Claims	13 873	14 720
Rental income	424 799	581 036
Tender documents	178 851	137 224
Handling fees and Staff recoveries	1 448 493	2 969 904
Connection and reconnection fees	462 815	234 868
Fire Brigade	(5 200)	38 994
	3 469 969	5 296 981

25. Property rates

Rates received

Property rates	73 997 815	71 417 173
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Valuations

Business and Commercial	458 085 350	457 485 350
Farm Properties-Agricultural Purposes	7 599 969 592	7 685 952 994
Farm Properties Residential Properties	68 850 000	68 850 000
Formal and Informal Settlements	4 184 000	4 184 000
Industrial Properties	271 942 450	270 782 450
Municipal Properties	870 635 623	874 646 623
Privately Owned	503 525 723	504 739 723
Public Benefit Organisations	65 387 000	65 387 000
Residential Properties-Developed	4 123 029 195	4 100 334 795
Residential Properties-Vacant Land	242 077 280	242 010 280
State-owned Properties-National Government	99 529 200	65 517 200
State-owned Properties Provincial Government	5 623 000	5 773 000
	4 312 838 413	4 345 663 415

In terms of Section 32 (1) (b) Municipal Property Rates Act 2004, valuations on land and buildings are to be performed every 4 years. The last general valuation came into effect on 1 July 2015.

Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R - (2018: R -) is applied to property valuations to determine assessment rates. Rebates of -% (2018: -%) are granted to residential and state property owners.

Rates are levied on an annual basis with the final date for payment being 30 September of each year (30 September 2018).

Interest at prime plus 1% per annum (2018: -%) and a collection fee of -(2018: -%) is levied on rates outstanding two months after due date.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
26. Government grants and subsidies		
Operating grants		
Equitable share	100 804 000	93 384 601
Financial Management Grant	4 114 978	4 043 609
Municipal Infrastructure	1 120 139	1 827 282
Expanded Public Works Programme Grant	773 837	1 160 000
Municipal Demarcation Grant	-	2 627 153
Services in Kind	68 322 554	-
Municipal System Improvement Grant	30 662	-
Skills Development Grant	291 585	48 436
	175 457 755	103 091 081
Capital grants		
Municipal Infrastructure Grants	26 705 861	24 068 671
Integrated National Electrification Programme Grant	7 639 730	5 401 927
Water Services Infrastructure Grant	23 697 611	35 534 378
	58 043 202	65 004 976
	233 500 957	168 096 057
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	69 017 000	61 305 214
Unconditional grants received	90 804 000	93 384 601
	159 821 000	154 689 815
Equitable Share		
		Total
DORA Allocation Schedule	100 804 000	100 804 000
Offsetting against WSIG	(10 000 000)	(10 000 000)
	90 804 000	90 804 000
Current year receipts		Total
Current year receipts	90 804 000	90 804 000
Conditions met - transfer to revenue	(90 804 000)	(90 804 000)
	-	-
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
All registered indigent receive a monthly subsidy of which is funded from the grant.		
National Treasury withheld R10,000,000 from 2017/18 unspent conditional grants that was utilised for operational.		
Municipal infrastructure grant (MIG)		
Balance unspent at beginning of year	18 319 578	-
Current-year receipts	27 826 000	44 190 000
Conditions met - transferred to revenue	(27 826 000)	(25 895 953)
Other	-	25 531
Withheld	10 000 000	-
	28 319 578	18 319 578

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

26. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 20).

To provide specific capital finance for the basic municipal infrastructural backlog for poor household, micro enterprise and social institution servicing poor communities.

Municipal Demarcation Grant

Balance unspent at beginning of year	1 938 847	7 871 881
Current-year receipts	-	4 566 000
Conditions met - transferred to revenue	-	(2 627 153)
Withheld	-	(7 871 881)
	1 938 847	1 938 847

Conditions still to be met - remain liabilities (see note 20).

To subsidise the additional institutional and administrative cost arising from major boundary changes due to come into effect at the time of the 2016 local government elections.

Expanded public works programme (EPWP)

Current-year receipts	1 021 000	1 160 000
Conditions met - transferred to revenue	(773 837)	(1 160 000)
	247 163	-

Conditions still to be met - remain liabilities (see note 20).

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas: road maintenance and the maintenance of buildings, low traffic volume roads and rural roads, basic services infrastructure, including water and sewer reticulation, sanitation, pipelines (excluding bulk infrastructure), other economic and social infrastructure, tourism and cultural industries, waste management, parks and beautification, sustainable land-based livelihoods, social services programme, health service programme and community safety programme.

Integrated National Electrification Programme Grant

Balance unspent at beginning of year	2 598 073	1 215 329
Current-year receipts	10 000 000	8 000 000
Conditions met - transferred to revenue	(7 639 730)	(5 401 927)
Withheld	-	(1 215 329)
	4 958 343	2 598 073

Conditions still to be met - remain liabilities (see note 20).

To implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, clinics and the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

Water Services Infrastructure Grant

Balance unspent at beginning of year	57 823 428	6 603 391
Current-year receipts	25 000 000	80 000 000
Conditions met - transferred to revenue	(23 697 611)	(22 176 572)
Withheld	-	(6 603 391)
	59 125 817	57 823 428

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

26. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 20).

To facilitate the planning and implementation of various water and on-site sanitation projects to accelerate backlog reduction and enhance the sustainability of services especially in rural municipalities. Provide interim, intermediate water and sanitation supply that ensures provision of services to identified and prioritised communities, including through spring protection and groundwater development..

According to the initial 2018 DORA the municipality was supposed to receive R50million allocation. However, in terms of 2018 DORA adjustment the municipality allocated R25million due to under performance on projects.

Housing grant

Balance unspent at beginning of year	2 901 261	2 901 261
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Conditions still to be met - remain liabilities (see note 20).

National Lottery

Balance unspent at beginning of year	137 300	137 300
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Conditions still to be met - remain liabilities (see note 20).

Waterberg District Municipality

Balance unspent at beginning of year	61 112	61 112
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Conditions still to be met - remain liabilities (see note 20).

The Waterberg District Council provided a grant-in-aid to assist with the Welgevonden pipeline..

Financial Management (FMG)

Current-year receipts	4 115 000	4 043 609
Conditions met - transferred to revenue	(4 115 000)	(4 043 609)
	-	-

Conditions still to be met - remain liabilities (see note 20).

To promote and support reforms in financial management by building capacities in municipalities to implements the Municipal Finance Management Act (MFMA)..

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
26. Government grants and subsidies (continued)		
Municipal system improvement grant (MSIG)		
Current-year receipts	1 055 000	-
Conditions met - transferred to revenue	(30 662)	-
	1 024 338	-

Conditions still to be met - remain liabilities (see note 20).

To assist municipality to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related local government legislation.

Service in Kind

	2019	2018
Financial Grant from Coghsta		
Transferred Received from Coghsta	70 000 000	-
Less Expenditure Payment to Service Providers	(68 322 554)	-
	1 677 446	-

Suppliers Name	Transaction Description	Total Amount approved by Exco	Amount Paid	Total amount paid as at 31 March 2019
Eskom	Electricity	-	23 553 955	23 553 955
SARS	Payment of return	-	9 412 303	9 412 303
Magalies Water	Water Service	-	15 080 319	15 080 319
Auditor General Water	Audit Fees	-	7 106 113	7 106 113
Kenosima Trading and Projects	Water tankering	-	994 173	994 173
Mashi Transport	Plant Hire	-	138 510	138 510
Voltex	Electrical Service	-	36 049	36 049
Madijo	Traffic Protective Clothing	-	76 537	76 537
Matojane Malungana Attorney	Legal Fees	-	556 938	556 938
SITA	IT Service	-	1 347 213	1 347 213
Liebenberg Malan Horn Incorporated	Court Order	-	3 362 238	3 362 238
Tshumishano JV Boka Neo Trading Enterprise	Fleet Management Service	-	4 480 022	4 480 022
Microsoft	Licence Fees	-	2 178 183	2 178 183
		70 000 000	68 322 553	68 322 553

The municipality received in-kind support from Provincial government to pay the trade creditors after considering the financial status of the municipality. The Executive Council approved the release of funding to the amount of R70 million received from Cooperative Governance, Human Settlements and Traditional Affairs (Coghsta) for immediate relief to the Municipality for continuity provision of basic services on condition that the Council adopts a resolution on the institution of forensic investigation in the Municipality. R1.6million will be disclosed in the Annual financial statement of Coghsta.

Conditions still to be met - remain liabilities (see note 20).

Provide explanations of conditions still to be met and other relevant information.

Changes in level of government grants

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

26. Government grants and subsidies (continued)

Based on the allocations set out in the Division of Revenue Act, (Act ... of 2016), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
27. Employee related costs		
Basic	116 716 660	109 031 255
Medical aid - company contributions	-	185 748
Contributions for UIF, pensions and medical aids	32 639 442	30 904 282
SDL	1 589 532	1 498 629
Other payroll levies	323 246	56 472
Group Insurance	-	333 312
Short term benefit 2	2 592 278	3 894 357
Defined contribution plans	1 121 779	2 685 843
Travel, motor car, accommodation, subsistence and other allowances	251 100	20 614
Overtime payments	14 050 657	11 626 446
Long-service awards	1 956 897	970 902
13th Cheques	8 732 916	7 696 732
Acting allowances	16 596	-
Car allowance	10 229 767	10 986 075
Housing benefits and allowances	897 298	781 034
Other # 4	1 722 950	-
Tool allowance	7 337	7 337
Standby	5 129 369	4 322 229
Cell phone allowance	797 069	1 124 275
Other # 8	-	38
Long-term benefits - incentive scheme	4 000 534	-
	202 775 427	186 125 580

Remuneration of municipal manager (O.P. Sebola)

Annual Remuneration	-	560 294
Car Allowance	-	214 861
Cellphone allowance	-	14 310
Contributions to UIF, Medical and Pension Funds	-	131 648
	-	921 113

Remuneration of Municipal Manager / Accounting Officer (MF Mokoko)

Subsistence allowance	41 016	-
Other	1	-
Total	41 017	-

M.K. was appointed as an Acting Accounting Officer in the Municipality Manager's Office and was remunerated directly from Coghsta, the municipality re-imbursed the travel claims.

Remuneration of Chief Finance Officer (M.S. Mhlanga)

Annual Remuneration	784 221	-
Travel Allowance	110 000	-
Cellphone Allowance	19 250	-
Subsistence allowance	24 572	-
	938 043	-

M.S. Mhlanga was acting in the position and received an acting allowance of R20 687.44.

Remuneration of Social Services Manager (M.Z. Namate)

Annual Remuneration	824 825	564 083
Travel Allowance	91 622	93 524

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
27. Employee related costs (continued)		
Contributions to UIF, Medical and Pension Funds	196 420	155 699
Cellphone Allowance	21 000	21 000
Other - BC Member Contributions	104	-
	1 133 971	834 306

Remuneration of Corporate Services Manager (HRA Lubbe)

Annual Remuneration	832 181	390 597
Travel Allowance	240 366	132 219
Bonus	55 244	-
Contributions to UIF, Medical and Pension Funds	1 785	6 184
Cellphone allowance	21 000	12 250
Subsistence Allowance	9 215	-
B.C. Membership fee	104	-
	1 159 895	541 250

Remuneration of Strategic Planning (K. Maluleka)

Annual Remuneration	-	559 263
Travel Allowance	-	132 219
Contributions to UIF, Medical , BC membership fees and Pension Funds	-	7 872
Cellphone Allowance	-	7 000
	-	706 354

Remuneration of Strategic Planning Manager (DN Sinthumule)

Annual Remuneration	353 495	-
Travel Allowance	90 000	-
Contributions to UIF, Medical, BC Membership and Pension Funds	20 279	-
Cellphone Allowance	10 500	-
Subsistence Allowance	8 884	-
	483 158	-

Remuneration of Project Management Unit (SK Ramathlakgwe)

Annual Remuneration	742 466	742 466
Car Allowance	139 920	139 920
Cellphone Allowance	18 600	18 600
Contributions to UIF, Medical and Pension Funds	1 888	12 474
Bonus	61 872	123 744
Subsistence Allowance	140 780	-
	1 105 526	1 037 204

Remuneration of Technical Service Manager - (NE Ramuthiveli)

Annual Remuneration	471 021	-
Car Allowance	173 081	-
Cellphone Allowance	18 600	-
Contributions to UIF, Medical and Pension Funds	134 678	-
Subsistence Allowance	142 536	-
BC Membership fee	104	-
Bonus	39 685	-
	979 705	-

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
28. Remuneration of councillors		
Executive Mayor	3 975 321	3 323 742
Executive Committee Members	6 794 786	5 254 580
Speaker	727 237	981 519
Councillors	656 469	425 479
	12 153 813	9 985 320

Remuneration of Councillors

2019	Annual Remuneration	Travel Allowance	Cellphone Allowance	Pension Contribution	Medical Contributions	Total
Mayor M. Van Staden	615 006	202 950	44 268	92 251	50 407	1 004 882
Chief Whip HP Louw	461 774	152 157	44 268	69 266	-	727 465
Speaker DS Motshwene	491 214	162 361	44 268	73 862	-	771 705
	1 567 994	517 468	132 804	235 379	50 407	2 504 052
Executive Committee	Annual Remuneration	Travel Allowance	Cellphone Allowance	Pension Contribution	Medical Contributions	Total
L.W. Kola	293 538	84 916	44 268	44 031	6 448	473 201
R.P. Mashaba	293 538	84 916	44 268	44 031	-	466 753
N.G. Mashitsho	257 676	84 916	44 268	38 847	35 464	461 171
N.E. Monepya	270 554	84 916	44 268	40 583	-	440 321
	1 115 306	339 664	177 072	167 492	41 912	1 841 446
Councillors	Annual Remuneration	Travel Allowance	Cellphone Allowance	Pension Contribution	Medical Contributions	Total
JJ Abrie	264 527	82 424	44 268	39 679	-	430 898
J Baloyi	206 028	64 226	44 268	30 904	-	345 426
CMJ Botha	242 248	65 713	44 268	-	-	352 229
S Groenewald	264 403	82 424	44 268	39 661	25 063	455 819
JM Lebesa	231 160	64 226	44 268	-	-	339 654
KN Mabunda	206 028	64 226	44 268	30 904	-	345 426
RJ Mahoro	207 764	64 226	44 268	31 165	-	347 423
B Mocke	264 403	82 424	44 268	39 661	4 099	434 855
DM Monama	206 028	64 226	44 268	30 904	49 924	395 350
LK Moruwe	231 154	64 226	44 268	34 674	-	374 322
MM Mothabela	206 028	64 226	44 268	30 904	31 759	377 185
D Phalane	285 567	80 937	44 268	-	-	410 772
MD Phele	231 160	64 226	44 268	9 912	-	349 566
MM Sethlabi	206 028	64 226	44 268	30 904	-	345 426
JP Prinsloo	200 179	64 226	44 268	30 027	-	338 700
KE Lekalakala	152 521	64 226	44 268	28 650	43 963	333 628
SM Seodisa	218 599	64 226	44 268	32 790	35 464	395 347
MJ Kekana	246 889	82 424	44 268	37 033	-	410 614
M Mbedzi	31 161	11 333	23 878	-	-	66 372
	4 101 875	1 258 391	820 702	477 772	190 272	6 849 012

The Executive Mayor has use of a Council owned vehicle for official duties and a dedicated driver

The salaries, allowances and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
29. Depreciation and amortisation		
Property, plant and equipment	64 554 083	70 452 828
30. Impairment of assets		
Impairments		
Property, plant and equipment	3 636 480	4 629 505
The main classes of assets affected by impairment losses are:		
Property, plant and equipment		
Heritage assets		
The main events and circumstances that led to the recognition of these impairments are as follows:		
31. Finance costs		
Non-current borrowings	1 058 771	258 449
Finance leases	-	176 219
Post retirement benefits and long service awards	821 450	4 444 037
	1 880 221	4 878 705
32. Debt impairment		
Trade receivables from exchange transactions	59 901 106	144 399 778
33. Bulk purchases		
Electricity - Eskom	171 587 269	202 014 563
Water	14 113 080	10 277 684
	185 700 349	212 292 247
34. Contracted services		
Outsourced Services		
Burial Services	22 500	60 000
Security Services	16 851 311	13 171 930
Water Takers	3 184 742	5 817 568
Consultants and Professional Services		
Business and Advisory	9 268 976	7 502 371
Laboratory Services	-	242 545
Legal Cost	15 824 978	18 956 450
Contractors		
Maintenance of Buildings and Facilities	335 554	5 404 378
Maintenance of Unspecified Assets	10 293 752	18 525 992
Traffic and Street Lights	-	299 895
Transportation	-	270 747
Sewerage Services	139 845	14 931 932
	55 921 658	85 183 808

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
35. General expenses		
Advertising	524 987	200 739
Auditors remuneration	10 837 676	6 076 566
Bank charges	13 499 647	721 199
Conferences and seminars	131 635	396 670
Consumables	5 837 002	4 512 708
Entertainment	7 602	9 296
Municipal Services	574 097	-
Fines and penalties	56 083 196	50 866
Insurance	6 481 203	3 123 513
Lease expenses	22 470 831	15 483 456
Material and stock	590 748	914 040
Other expenses	1 513 000	1 612 900
Postage and courier	1 965	5 298
Printing and stationery	306 209	212 233
Protective clothing	105 144	976 817
Software expenses	6 206 315	667 901
Subscriptions and membership fees	9 292 373	72 946
Telephone and fax	1 987 365	2 260 175
Training	18 297	54 152
Travel and subsistence	2 585 237	1 474 899
	139 054 529	38 826 374
36. Auditors' remuneration		
Fees	10 837 676	6 076 566
37. Cash generated from operations		
Deficit	(131 995 292)	(261 117 389)
Adjustments for:		
Depreciation and amortisation	64 554 083	70 452 828
Gain on sale of assets and liabilities	3 503 693	2 074 398
Fair value adjustments	-	(3 069)
Finance costs - Finance leases	-	176 219
Impairment deficit	3 636 480	4 629 505
Debt impairment	59 901 106	144 399 778
Movements in retirement benefit assets and liabilities	9 805 231	42 794 212
Movements in provisions	14 638 510	63 270 749
Changes in working capital:		
Inventories	774 641	(3 024 404)
Receivables from exchange transactions	(89 841 181)	(62 663 401)
Consumer debtors	(59 171 132)	(152 386 907)
Other receivables from non-exchange transactions	(14 563 880)	(100 150 378)
Payables from exchange transactions	163 114 563	427 589 314
Unspent conditional grants and receipts	5 273 965	83 779 599
Consumer deposits	12 366 480	7 331 770
	41 997 267	267 152 824

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
38. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	107 033 023	83 535 448
Total capital commitments		
Already contracted for but not provided for	107 033 023	83 535 448
Authorised operational expenditure		
Already contracted for but not provided for		
• Operating expenditure	34 036 799	1 794 038
Total operational commitments		
Already contracted for but not provided for	34 036 799	1 794 038
Total commitments		
Total commitments		
Authorised capital expenditure	107 033 023	83 535 448
Authorised operational expenditure	34 036 799	1 794 038
	141 069 822	85 329 486

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
39. Contingencies		
Contingencies		
Pending Legal Cases		
Mahumani Inc obo Alderson Family vs Modimolle-Mookgophong Local Municipality - Alleged compensation for expropriation of farms at Donkerpoort Dam.	4 000 000	4 000 000
Mellampus vs Modimolle-Mookgophong Local Municipality - Municipality must apply for eviction of illegal occupiers at Vaalwater	-	1 800 000
Helen West vs Modimolle-Mookgophong Local Municipality - Alleged malfunctioning of electricity meters to due overcharging	19 897	19 897
Lesperance Sebenzani Joint vs Modimolle-Mookgophong Local Municipality - Alleged termination of contract without following the prescribed	-	4 654 022
Arabest 121 CC vs Modimolle-Mookgophong Local Municipality - Alleged termination of contract without following the proper procedure and or provision of the contract regarding termination	35 849 535	35 849 535
N.J. Moagi vs Modimolle-Mookgophong Local Municipality - Allege claim for defamation of character	-	500 000
Balimi Barul Trading vs Modimolle-Mookgophong Local Municipality - Allege claim for service rendered	-	3 000 000
Shirelo David Chauke vs Modimolle-Mookgophong Local Municipality - Municipal official involved in an accident. Claimant instituted against the Municipality.	-	210 000
Afriforum vs Modimolle-Mookgophong Local Municipality -Allegations of failure to provide clean running water to the community of Mookgophong. To this extent, the Municipality's legal team (Moloto Attorneys) advised that Council settles the matter and find a way to resolve its water problems.	-	400 000
H. Fouche vs Modimolle-Mookgophong Local Municipality - The applicant approached the NGHC for an order compelling the respondent to pay monies accrued to the applicant due to the respondent's failure to provide electricity to the applicant which failure led to the applicant suffering loss of business	-	750 000
Euphoria Home Owners Association vs Modimolle-Mookgophong Local Municipality - The applicants approached the NGHC on an urgent basis for ruling following the respondent's applicants approached the NGHC on an urgent basis for ruling following the respondent's decision to terminate electricity supply to the applicant.	-	500 000
Vosloo vs Modimolle-Mookgophong Local Municipality - Spoilation order against Municipality	-	170 000
E. Makgato & T.S. Makgato vs Modimolle-Mookgophong Local Municipality - Summons against the Municipality alleging failure to pay for services rendered during September 2014 to June 2015. Parties reached a settlement on the 7 June 2017, wherein the Municipality will effect payment to the legal representative of the Plaintiffs in the sum of R150,000 each and every succeeding month month liquidating the plaintiff's claim, costs and interest	-	1 716 840
Adv. Nkopotudi vs Modimolle-Mookgophong Local Municipality, Malumbete & Makhubela Attorneys - Alleged non-payment of service rendered to the municipality	-	1 335 750
CMXI (al Energy) (Pty) Ltd vs Modimolle-Mookgophong Local Municipality, Mokgobu Attorneys - The Municipality had a contract with CMXI to instal smart meters in Modimolle. CMXI failed to start the project and requested the Municipality to give surety to their funding and when the Municipality refused to give funding they then approached Abitration Foundation of Southern Africa	-	32 000 000
Tlou E Kgolo Construction vs Modimolle-Mookgophong Municipality, Mokgobu Attorneys - Non payment of outstanding invoices for services rendered for the building and or renovation of Donkerpoort Dam	-	78 890
S.N. Ranamane vs Modimolle-Mookgophong Local Municipality - Claim in respect of professional consultancy and advisory services rendered to the Municipality	596 175	596 175
Telkom SA vs Modimolle-Mookgophong Local Municipality - Claim for damages caused by on the plaintiff's property.	74 430	74 430
Phokoane Phasha Attorneys vs Modimolle-Mookgophong Local Municipality - Notice in terms of Section 3(2) of the Institution of the legal proceedings against organs of the state act no.40 of 2002.	2 845 860	2 845 860

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
39. Contingencies (continued)		
Van Heerden & Krugel Attorneys vs Modimolle-Mookgophong Local Municipality - Claim for payment of services rendered on debt collection	-	7 624 761
Menyatso Trading vs Modimolle-Mookgophong Local Municipality, Moloto Attorneys - Alleged non-payment of outstanding invoices.	-	850 000
Mookgophong Klub Lekkerus vs Modimolle-Mookgophong Local Municipality - Alleges loss of income due to electricity outages.	-	750 000
Auditor – General of SA - Alleges non -payment of outstanding invoice.	2 195 221	2 195 221
MGL Enterprises (PTY) Ltd vs Modimolle-Mookgophong Local Municipality - Alleges nonpayment of invoices.	-	850 100
SML Projects vs Modimolle-Mookgophong Local Municipality, Mphoke, PK Magane Attorneys - Alleges non-payment of invoices.	-	1 298 891
Kabe Consulting Engineers CC vs Modimolle- Mookgophong local municipality alleges non payment of invoices of services rendered	1 290 859	-
NJ Moagi vs MLM & NS Bambo claim for defamation of character	3 000 000	-
Tshumisano trading cc and baka - neo investments vs Modimolle- Mookgophong local municipality alleges non payment of invoices of services rendered	6 429 891	-
Tshumisano trading cc and baka - neo investment vs Modimolle- Mookgophong local municipality alleges non payment of invoices of services rendered reg 32	5 593 191	-
Kekamo projects vs Modimolle- Mookgophong local municipality alleges non payment of invoices of services rendered	5 259 800	-
Maloahe information technologies vs mookgophong municipality - court judgment	520 875	-
Mothabela kgolo ephraim makgato NO & Thwizilondo sharon makgato NO obo kgolo business trust vs MLM- debt judgement	1 267 912	-
Balimi barui trading vs Modimolle- Mookgophong local municipality alleges non payment of invoices of services rendered	10 960 675	-
MP Kgasi vs MEC for the Department of Public Works, Roads and Infrastructure, Northern Province Provincial Government & Mookgophong Local Municipality Amount claimed for damages to motor vehicle and medical expenses due to accident caused by pothole	4 100 000	-
Telesure Group Services obo Budget Insurance (Mr TP Shandukani) vs Modimolle-Mookgophong Local Municipality Amount claimed due to damages caused by a motor vehicle collision.	17 097	-
Elaine Jacobsz vs Modimolle Local Municipality Amount claimed due to damages to vehicle by pothole.	9 980	-
Balimi Barui Trading (Pty) Ltd vs Modimolle-Mookgophong Local Municipality Amount claimed for damages, default judgment granted, rescission application issued, application opposed and we served our answering affidavit	44 024 033	-
CXMI vs MLM arbitration award was made an order of court rescission application	13 595 750	-
Akhile Management and Consulting (Pty) Ltd vs Mookgophong Municipality Services rendered, invoices unpaid.	5 123 353	-
	146 774 534	104 070 372

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand 2019 2018

40. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2018

	Note	As previously reported	Correction of error	Re-classification	Restated
Inventories		5 299 794	-	-	5 299 794
Other financial assets		-	-	10 658 732	10 658 732
Receivables from exchange transactions		7 392 778	-	(269 155)	7 123 623
Receivables from non-exchange transactions		-	-	73 119 211	73 119 211
VAT receivable		14 020 397	8 790 869	-	22 811 266
Prepayments		1 468 139	(1 468 139)	-	-
Consumer debtors		212 363 764	-	(72 850 056)	139 513 708
Investments		900 000	-	-	900 000
Other receivables		372 363	-	-	372 363
Cash and cash equivalents		11 460 157	-	(10 658 732)	801 425
Investment property		17 206 951	-	-	17 206 951
Property, plant & equipment		1 345 184 781	52 198 182	(6 571)	1 397 376 392
Intangible assets		2 666 407	2 244 628	-	4 911 035
Heritage assets		181 347	27 645	6 571	215 563
Investments		128 415	-	-	128 415
Other financial liabilities		(150 995)	-	-	(150 995)
Finance lease obligation		(2 758 369)	346 904	-	(2 411 465)
Payables from exchange transactions		(204 762 374)	(79 642 612)	-	(284 404 986)
Consumer deposits		(7 331 770)	-	-	(7 331 770)
Employee benefit obligation		(1 595 831)	-	-	(1 595 831)
Long service awards		-	-	(1 469 734)	(1 469 734)
Unspent conditional grants and receipts		(18 790 274)	-	-	(18 790 274)
Provisions		(1 469 734)	-	1 469 734	-
Bank overdraft		(154 953 419)	(412 452)	-	(155 365 871)
Finance lease obligation		(667 137)	29 315	-	(637 822)
Employee benefit obligation		(37 346 699)	-	-	(37 346 699)
Long service awards		-	-	(8 440 786)	(8 440 786)
Provisions		(71 154 558)	-	8 440 786	(62 713 772)
Housing development fund		(483 263)	-	-	(483 263)
Accumulated surplus: Opening Balance		(1 137 889 603)	(52 218 308)	-	(1 190 107 911)
Deficit for the year		20 708 733	70 103 968	-	90 812 701
		-	-	-	-

2019

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018			
40. Prior-year adjustments (continued)					
Statement of financial performance					
2018					
	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges		193 671 247	-	-	193 671 247
Interest received - Trade debtors		24 607 829	-	-	24 607 829
Rental Income		246 968	-	(246 968)	-
Fair value of shares		9 326	-	-	9 326
Fire fighting income		1 394 868	-	(1 394 868)	-
Sundry income		3 614 933	-	1 641 836	5 256 769
Interest received - investment		2 695 989	-	-	2 695 989
Property rates		55 978 716	-	-	55 978 716
Licences or permits		2 292 448	-	-	2 292 448
Government grants & subsidies		173 701 354	-	-	173 701 354
Traffic Fines		399 628	-	-	399 628
Employee related costs		(159 053 098)	-	15 935 950	(143 117 148)
Remuneration of councillors		(11 979 527)	-	-	(11 979 527)
Actuarial gain / (loss)		15 935 950	-	(15 935 950)	-
Depreciation and amortisation		(51 400 543)	2 252 146	-	(49 148 397)
Impairment loss / Reversal of impairments		(1 836 339)	-	-	(1 836 339)
Finance costs		(5 373 153)	(36 232)	-	(5 409 385)
Debt impairment		(37 150 142)	-	-	(37 150 142)
Repairs and maintenance		(20 680 802)	-	20 680 802	-
Bulk purchases		(142 636 822)	(70 851 743)	-	(213 488 565)
Contracted services		(15 881 272)	-	(37 425 922)	(53 307 194)
General expenses		(49 266 290)	(1 468 139)	16 745 120	(33 989 309)
Surplus for the year		(20 708 732)	(70 103 968)	-	(90 812 700)

2019

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018		
40. Prior-year adjustments (continued)				
Cash flow statement				
2018				
	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Services rendered		190 688 204	(4 365 523)	186 322 681
Grants		165 319 849	-	165 319 849
Interest Income		2 695 989	-	2 695 989
Other receipts		6 302 535	(6 302 535)	-
Interest earned - Outstanding receivables		24 607 829	-	24 607 829
Employee costs		(171 032 626)	-	(171 032 626)
Finance Costs		(492 299)	-	(492 299)
Other Payments		(301 681 597)	(412 450)	(302 094 047)
		(83 592 116)	(11 080 508)	(94 672 624)
Cash flow from investing activities				
Purchase of property, plant and equipment		(96 004 675)	-	(96 004 675)
Movements of Investments		(9 326)	9 326	-
		(96 014 001)	9 326	(96 004 675)
Cash flow from financing activities				
Repayment of other financial liabilities		(276 855)	-	(276 855)
Movement in employee obligations		(476 448)	-	(476 448)
Finance lease payments		(1 656 461)	-	(1 656 461)
		(2 409 764)	-	(2 409 764)

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
40. Prior-year adjustments (continued)		
2019		
41. Related parties		
Relationships		
Councillors	Refer to note 27	
Key management	Refer to note 28	
Compensation to accounting officer and other key management		
Short-term employee benefits	1 028 723	1 540 137
Defined contribution plans	295 700	20 614
	1 324 423	1 560 751

42. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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42. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2019	Less than 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 years
Other financial liabilities	19 271 761	-	-	-
Finance lease obligation	617 949	19 872	-	-
Payables from exchange transactions	440 866 799	-	-	-
Consumer deposits	7 331 770	-	-	-
Bank overdraft	87 141 051	-	-	-
Unspent conditional grants	83 779 599	-	-	-
	639 008 929	19 872	-	-

At 30 June 2018	Less than 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 years
Other financial liabilities	19 271 761	-	-	-
Finance lease obligation	617 949	19 872	-	-
Payables from exchange transactions	440 866 799	-	-	-
Consumer deposits	7 331 770	-	-	-
Bank overdraft	87 141 051	-	-	-
Unspent conditional grants	83 779 599	-	-	-
	639 008 929	19 872	-	-

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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42. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors.

The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2019	2018
Cash and cash equivalents	-	8 710
Trade receivables from exchange transactions	-	62 663 401
Receivables from non-exchange transactions	-	100 150 378
Other receivables from exchange transactions	-	7 978 130
Other receivables	-	372 363
Investments	-	1 031 484

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

43. Financial instruments disclosure

Categories of financial instruments

2019

Financial assets

Financial liabilities

2018

Financial assets

	At fair value	At amortised cost	Total
Other receivables from exchange transactions	-	7 987 130	7 987 130

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
43. Financial instruments disclosure (continued)		
Receivables from non-exchange transactions	- 100 150 378	100 150 378
Receivables from exchange transactions	- 62 663 401	62 663 401
Investments	131 484 900 000	1 031 484
Other receivables	- 372 363	372 363
Cash and cash equivalents	- 8 710	8 710
	131 484 172 081 982	172 213 466

Financial liabilities

	At amortised cost	Total
Other financial liabilities	19 271 761	19 271 761
Finance lease obligation	637 821	637 821
Trade and other payables from exchange transactions	440 866 799	440 866 799
Consumer Deposits	7 331 770	7 331 770
Bank Overdraft	87 141 051	87 141 051
Unspent conditional grants	83 779 599	83 779 599
	639 028 801	639 028 801

44. Going concern

In terms of the accounting standard GRAP 1 paragraphs 27 to 30 the annual financial statements are prepared on a going concern basis. The assumption is based on the fact that the municipality may invoke its power to levy additional rates or taxes to enable the municipality to be considered as a going concern even though the municipality will be operational for extended periods with negative net assets.

However based on the current solvency and liquidity ratio's tests performed, the municipality's ability to operate as a going concern is under serious threat. To address the threat under which the municipality finds itself, the Co-operative Governance, Human Settlement and Traditional Affairs, in terms of Section 139(1)(b) of the Constitution, intervened and appointed an administrator together with National Treasury Intervention Team to ensure that the financial and administrative turn-around of the municipality is put in place and sustained. It is estimated that it may take more than one financial period to bring the municipality's financial position to a favourable position.

The financial crises came to be because of poor controls and other issues relating to poor internal control and procedures, which has placed tremendous pressure on the municipality's liquidity ratio and financial sustainability.

Although certain of the strategies have already been implemented by the Provincial Co-Operative Governance, Human Settlement and Traditional Affairs, Administrator and National Treasury Intervention Team, it is the assumption that it will take sometime for the municipality to recover and is the turnaround strategic reviewed on a regular basis.

Due to the fact that at 30 June 2019, the municipality incurred a deficit of RXXXXXXX and on 30 June 2018 R274 475 212 and the municipality's total current liabilities exceed its current assets by R XXXXXXXXX the municipality be faced with difficulties in settling its short-term debts when due. The municipality has negotiated payment terms with significant suppliers, furthermore budgetary support has been received from Provincial Treasury to meet its ability to continue as a going concern.

The Intervention Team appointed by the National Treasury, Department of Co-Operative

Governance, Human Settlement and Traditional Affairs concentrate on four Strategies, consisting of a Financial Strategy, an Infrastructure Development Strategy, a Community Service Strategy and a Good Governance Strategy. The turnaround strategy document is available for inspection.

These strategies were developed in order to stabilise the affairs of the Modimolle-Mookgophong Municipality.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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45. Events after the reporting date

In July 2019 National Treasury withheld R35 million of the equitable share as the payment of grant money for the 2017/18 financial year which the municipality couldn't account for at the end of the 2017/18 financial year. The cause was that the grant money was utilised for operational expenditure instead of the intended infrastructure projects.

46. Unauthorised expenditure

Opening balance as previously reported	319 070 653	143 829 183
Opening balance as restated	319 070 653	143 829 183
Unauthorised expenditure for the current year: Over expenditure on the current budget	141 408 216	59 200 393
Closing balance	460 478 869	203 029 576

47. Fruitless and wasteful expenditure

Opening balance as previously reported	68 119 960	48 207 955
Opening balance as restated	68 119 960	48 207 955
Fruitless and wasteful expenditure for the current year	47 533 002	19 912 005
Closing balance	115 652 962	68 119 960

This expenditure is under investigation. The decision whether the expenditure / losses are recoverable, any criminal or disciplinary steps to be taken and material losses recovered or written-off is pending the investigation by the Municipal Public Accounts.

48. Irregular expenditure

Opening balance as previously reported	190 169 306	113 825 674
Opening balance as restated	190 169 306	113 825 674
Add: Irregular Expenditure - current year	22 250 957	76 343 632
Closing balance	212 420 263	190 169 306

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

2019 2018

48. Irregular expenditure (continued)

Incidents/cases identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings	
Fidelity	No action taken	201 965
Tshumisano Trading	No action taken	7 019 378
Rakhutsetsa Security	No action taken	850 500
ABSA	No action taken	6 669 469
Pheta Trading	No action taken	1 132 808
CS Pule Contractors and Amacon	No action taken	1 635 169
Eternity Star Investment	No action taken	1 456 698
Xiverengi Business Enterprise	No action taken	3 284 970
		22 250 957

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	3 797 950	1 835 790
Current year subscription / fee	5 494 430	1 962 160
Amount paid - current year	(5 494 430)	-
Amount paid - previous years	(3 797 950)	-
	-	3 797 950

Audit fees

Opening balance	7 186 374	1 246 571
Current year fee	3 651 301	6 939 803
Amount paid - current year	(3 651 301)	(1 000 000)
Amount paid - previous years	(7 186 374)	-
	-	7 186 374

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand 2019 2018

49. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE and UIF

Opening balance	14 314 035	-
Current year subscription / fee	29 928 975	23 978 012
Amount paid - current year	(29 928 975)	(9 663 977)
	14 314 035	14 314 035

Pension and Medical Aid Deductions

Current year subscription / fee	73 251 843	45 561 814
Amount paid - current year	(73 251 843)	(45 561 814)
	-	-

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Clr Cornelius Marthinus Johannes Botha	6 069	-	6 069
Clr Hercules Petrus Louw	110	-	110
Clr Sarna Groenewald	(1 350)	-	(1 350)
Clr kgaretja Elizabeth Lekalakala	4 222	1 355	5 577
Clr Rufus Jan Mahoro	703	8 647	9 350
Clr Rewahla Patrick Mashaba	369	-	369
Clr Maphuti Marget Mothabela	590	-	590
Clr Klass Nono Mabunda	1 883	6 138	8 021
Clr Dingaan Solly Motshwene	529	949	1 478
Clr Matsobane Daniel phele	190	-	190
	13 315	17 089	30 404

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor MJ Botha	8 639	-	8 639
Councillor DS Motshwene	327	-	327
Councillor KE Lekalakala	1 055	-	1 055
Councillor KN Mabunda	1 127	866	1 993
Councillor MM Mothabela	547	493	1 040
Councillor MD Phele	131	85	216
Councillor RP Mashaba	408	-	408
Councillor RJ Mahoro	756	671	1 427
Councillor S Groenewald	390	-	390
Councillor SE Kenoshi	3 442	2 471	5 913
	16 822	4 586	21 408

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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50. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Reason for Deviations	2019	2018
Deviations as a result of emergency procurement, sec 36(1)(b)	2 591 427	2 599 075
Deviations in minor breaches of procurement, sec 36(1)(b)	22 000	-
Total	2 613 427	2 599 075

51. Electricity and water losses

Electricity losses

Units purchased - kWh	132 581 198	142 739 013
Units sold - kWh	102 139 136	99 717 036
Loss - kWh	30 362 257	43 021 977
Electricity loss as a percentage	23	30
Electricity loss in rand value	33 957 260	44 037 296

The electricity loss is due to theft, distribution losses and illegal tampering of electricity meters and Technical Losses due to insufficient maintenance.

Water losses

Units purchased - KI	5 069 446	4 990 445
Units sold - KI	3 366 244	2 915 497
Losses - KI	1 703 202	2 074 948
Water loss as a percentage	34	42
	-	-
Water Loss in Rand Value	9 578 832	4 273 298
	-	-

Water loss in rand value

The water loss is due to theft, maintenance, distribution losses and illegal tampering of water meters.

52. VAT receivable

The municipality is registered for VAT.

Additional text